

PX 55

Message

From: Patrick [REDACTED]@ripple.com]
Sent: 6/10/2014 10:44:59 AM
To: Patrick Griffin [Patrick Griffin <[REDACTED]@ripple.com>]
Subject: Fwd: Opencoin<<>>[REDACTED]
Attachments: Ripple for Gateways 7.13.pdf; Ripple 5.9.pptx

Begin forwarded message:

From: [REDACTED]
Date: July 22, 2013 at 4:58:18 PM PDT
To: "[REDACTED]@ripple.com" <[REDACTED]@ripple.com>
Cc: "[REDACTED]@ripple.com" <[REDACTED]@ripple.com>, [REDACTED]
Subject: Fw: Opencoin<<>>[REDACTED]

Patrick,

Thank you and Chris for your time in San Francisco last week. Your story sounded to me interesting and provocative.

[REDACTED] is our head of global platforms and [REDACTED] our head of Global Prepaid. If you send them more info, I am pretty sure someone in their team will reach out for you.

Thanks

From: Patrick Griffin [mailto:[REDACTED]@ripple.com]
Sent: Friday, July 19, 2013 01:55 PM
To: [REDACTED]
Cc: Chris Larsen <[REDACTED]@ripple.com>
Subject: Opencoin<<>>[REDACTED]

Great meeting you this week in SF. I've attached our financial services ('gateway') deck and our investor deck. In addition, I've included a few links to some of our press coverage:

- [Felix Salmon](#)
- [Nerd Wallet](#)
- [The Economist](#)
- And from our blog: [SMTP for Money & Babel Fish of Currency](#)

The basic story for [REDACTED] is to make profits on transfer fees, support prepaid access and remittance, accept payment from new markets at no cost, while working within your compliance limits.

Let's plan to touch base again in August. What works on your end?

Patrick

Patrick Griffin
EVP Business Development
OpenCoin, Inc.

 [ripple.com](mailto:patrick@ripple.com)

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OpenCoin Inc.



Financial Services
July 2013

Summary

Ripple in Three:

1. Payment Network
2. Currency Exchange
3. Math-backed Currency



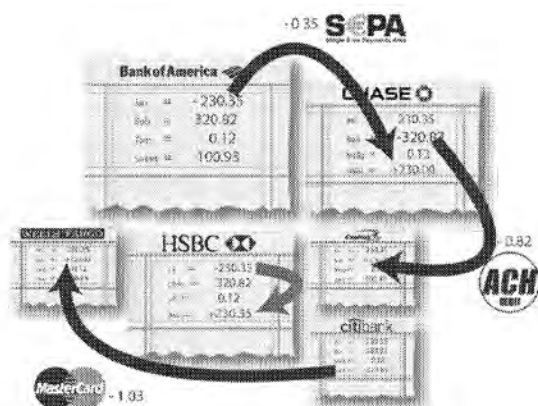
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What is a Payment Network?

A Common Ledger vs. Walled Gardens

- An accounting ledger to track account balances, or;
- A pathway between different ledgers to enable interoperability
- Ripple is a common ledger enabling total 'intra'-operability



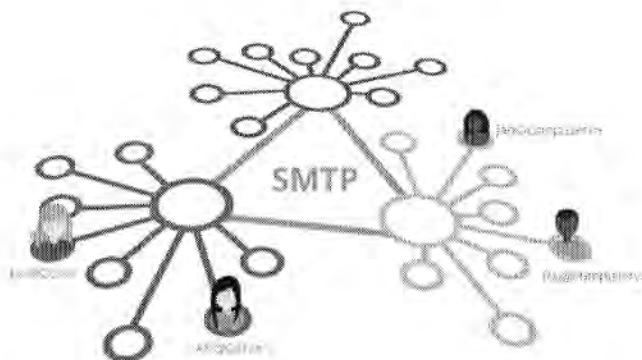
ripple		
Jan@	WELLS FARGO	= 230.35
Bob@	WELLS FARGO	= 320.82
Tom@	Bank of America	= 0.12
Susan@	Bank of America	= 100.93
Aki@	HSBC	= -230.35
Bob@	HSBC	= 320.82
Molly@	CHASE	= 0.12
Dalal@	CHASE	= -230.35



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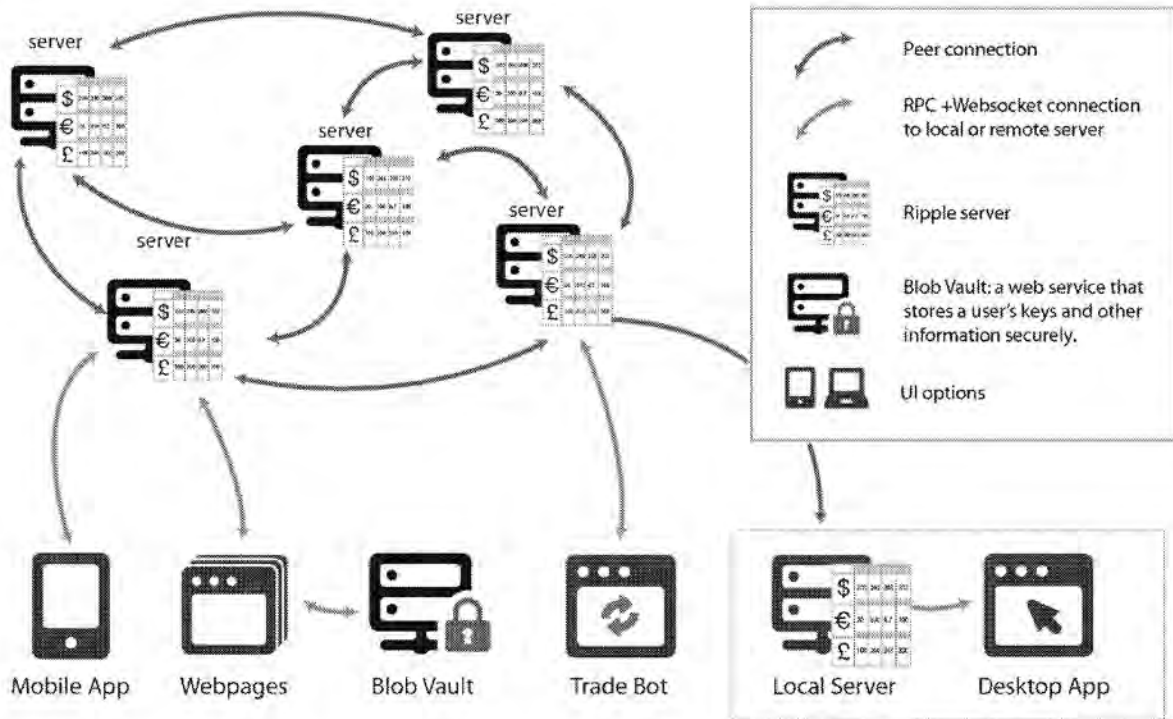
Ripple is Protocol Free

- Like SMTP, Ripple is a set of standards
- 'Server calls' to send, receive, credit, trade, etc.
- Transact directly with any other node in the protocol; in any currency
- Decentralized system hosted on servers distributed around the world
 - No one owns Ripple
- Open for any developer to use without license
 - No network operator = no network operator fees



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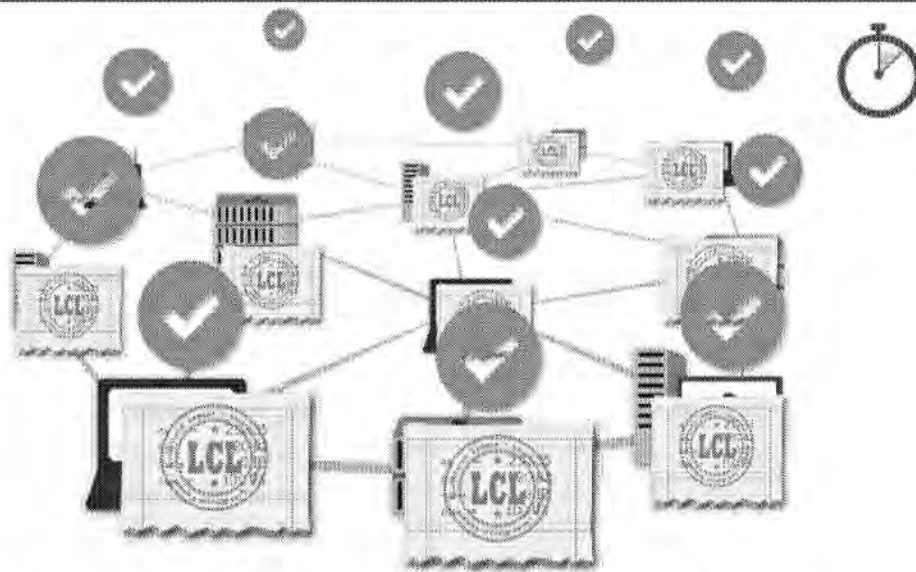
The Ripple Eco-system



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Payment Network

Clearing through Consensus Instant & Irreversible



- Servers continuously compare transaction sets for validity
- Transactions that appear valid to the majority of servers are updated in ledger
- When the ledger updates, all intervening transactions clear and settle
- Consensus is reached every 5 sec; the ledger cannot be reversed



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Payment Network

Market Agents



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Gateways

Banks and Counterparty Risk

- Gateways are like banks
- They can be banks, MTB's, MSB's, FI's, or forex exchanges
- How does a bank work today?
 - A bank takes in cash deposits and issues a balance
 - The deposited cash is loaned out immediately
 - Since the bank no longer holds the cash, the depositor's balance is a liability—an IOU
 - IOU can be redeemed on demand (aka demand deposits)
 - IOU balances are stored and tracked (credits & debits) in the bank's *proprietary* ledger
- All debt instruments (IOU) carry counterparty risk
 - "Will the asset be there when the debt claim is presented?"



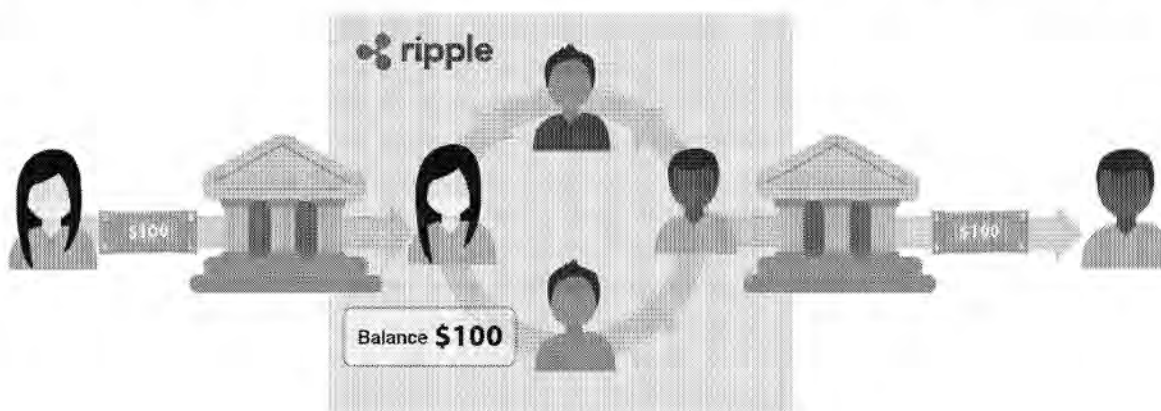
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Gateways

How to move cash into Ripple

- Ripple is a *common* ledger
- Each gateway takes deposits and issues a unique IOU into the ledger
- IOU can be transferred across the ledger without intermediaries
- IOU are redeemable for the deposit, on demand, at the issuing gateway



Why? Stronger Network. New Revenue.



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Gateways Revenue Opportunity

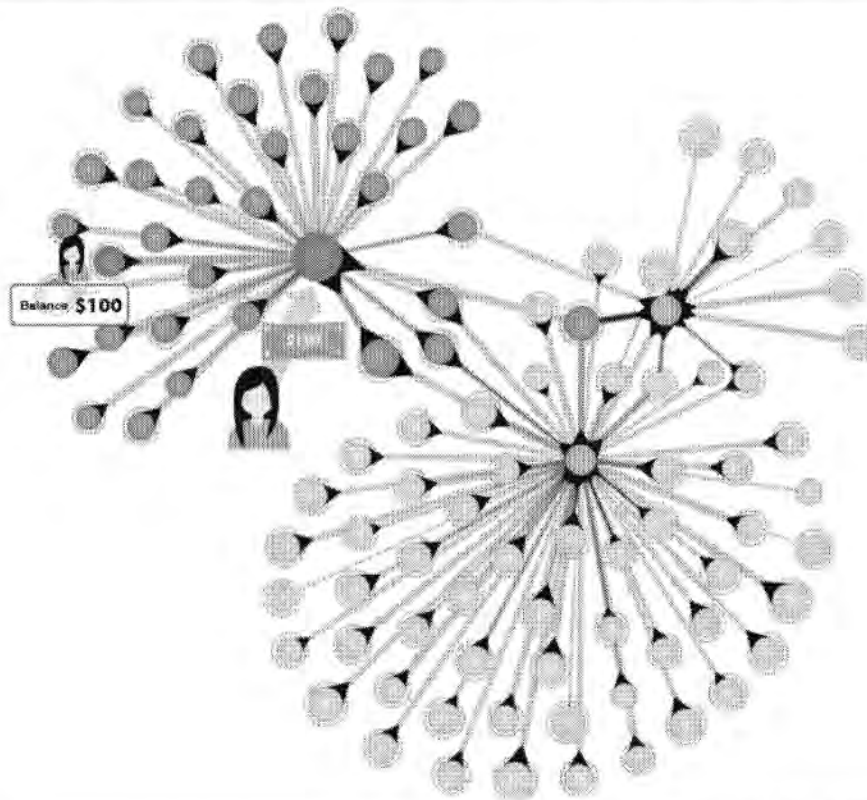
- Gateway can create innovative fee structures for IOU issuance
- Possible Gateway Revenues:
 - Deposit Fee
 - Withdrawal Fee
 - Transfer Fee (Decaying Obligations)
 - i.e., Bitstamp collects 0.20% every time their IOU is transferred
- Fees can be flat or variable, but will be subject to market competition
- 'Aggressor' of transaction (i.e., buyer) pays any gateway fees



Payment Network

Gateways

Graph of Counterparty Risk and Trust



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Payment Network

Benefits



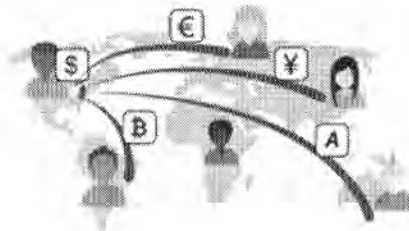
Instant



Free-'ish'



Irreversible



Global



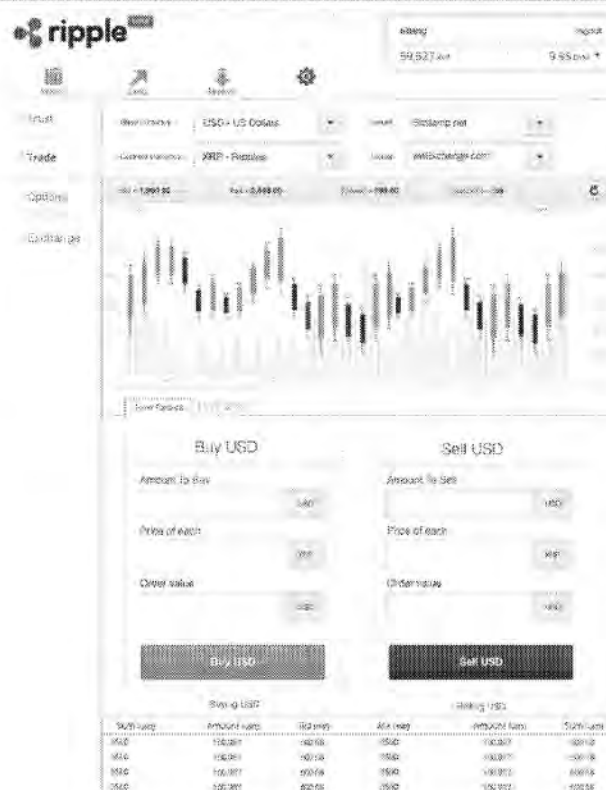
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Distributed Exchange

Global Distributed Exchange Resolve Cross-Currency Transactions

- Anyone can create bid/ask offers for any currency pair & broadcast it across the protocol
- Profit from forex spreads
- Ripple automatically moderates cross-currency transactions through the cheapest available bid/ask in the protocol
- This eliminates the need for external exchanges
- Supports algorithm-driven trading



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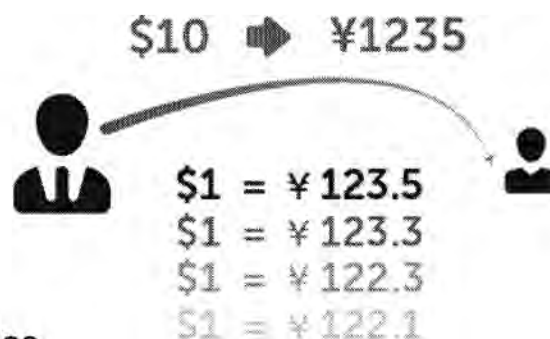
Benefits of the Distributed Exchange

Key Points

- 'Aggressor' of transaction (i.e., buyer) pays any forex spread
- Forex liquidity is determined by availability of bid/ask orders

Value Proposition

- Automatic cross-currency convertibility
- Merchants receive complete asking price
 - no network, issuer, or forex deductions
- No currency exposure:
 - Pay in preferred currency
 - Settle in preferred currency
- Wholesale forex spreads without intermediaries
- Arbitrage the Aggregate Internet Transaction Volume



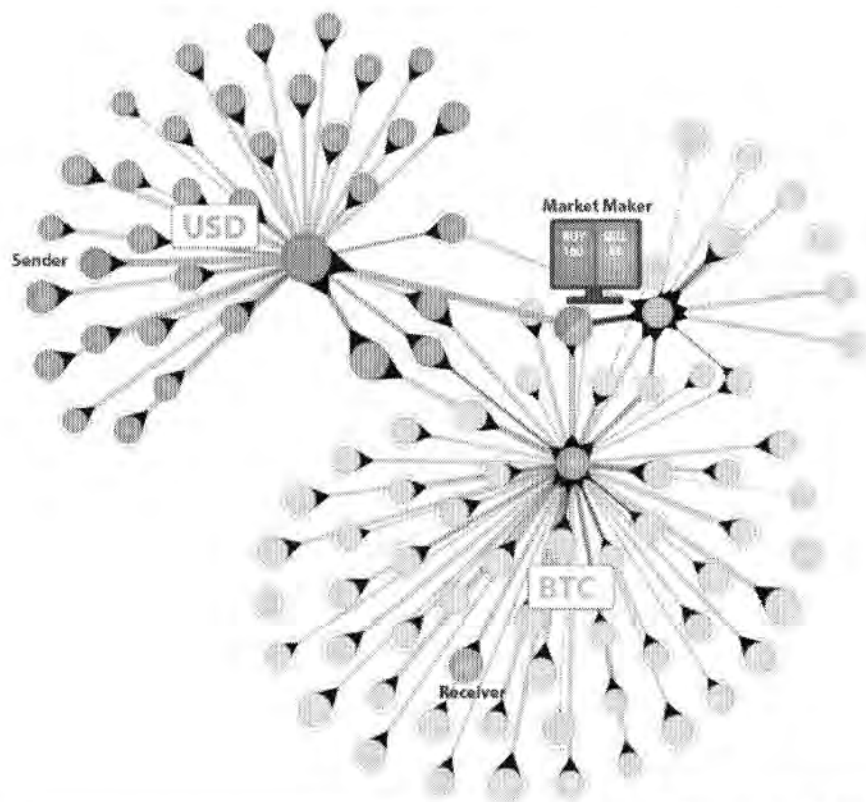
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Distributed Exchange

Distributed Exchange

Cross-currency transaction through a market-maker

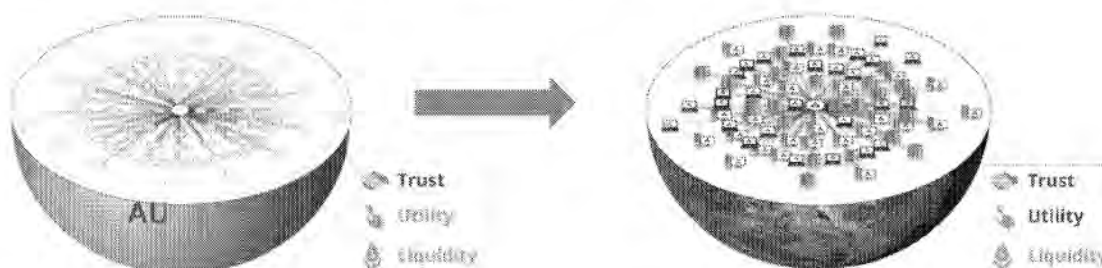


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Ripples (XRP) – the Currency

- **XRP is only one currency in Ripple. Ripple supports all currencies.**
- XRP uses cryptography to achieve monetary trust and utility:
 - Unit of Account – 100% divisible and numéraire
 - Medium of Exchange – liquid across any connected device
 - Store of Wealth – supply is fixed and counterfeit-proof
- Because XRP uses math as an 'asset' it exists virtually, inside the Ripple protocol.
- XRP in cyberspace is the equivalent to paper cash in the physical world



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Math-backed Currency

The Role of XRP in Ripple

Security*

- Transaction Fee (0.00001 XRP is destroyed) prevents DDoS attacks
- Reserve requirements prevent ledger spam

*(Note: federation obfuscates the visibility of XRP)

Efficiency

- Forex - counterparty hedging (XRP trade freely with IOU); vehicle currency
- Eliminate costs - transact without issuer fees, without forex spreads
- Global currency for the Web – no counterparty risk or fees

Value

- 100B XRP – no more will ever be created
- Deflationary
- XRP is valued by its usefulness to Internet commerce



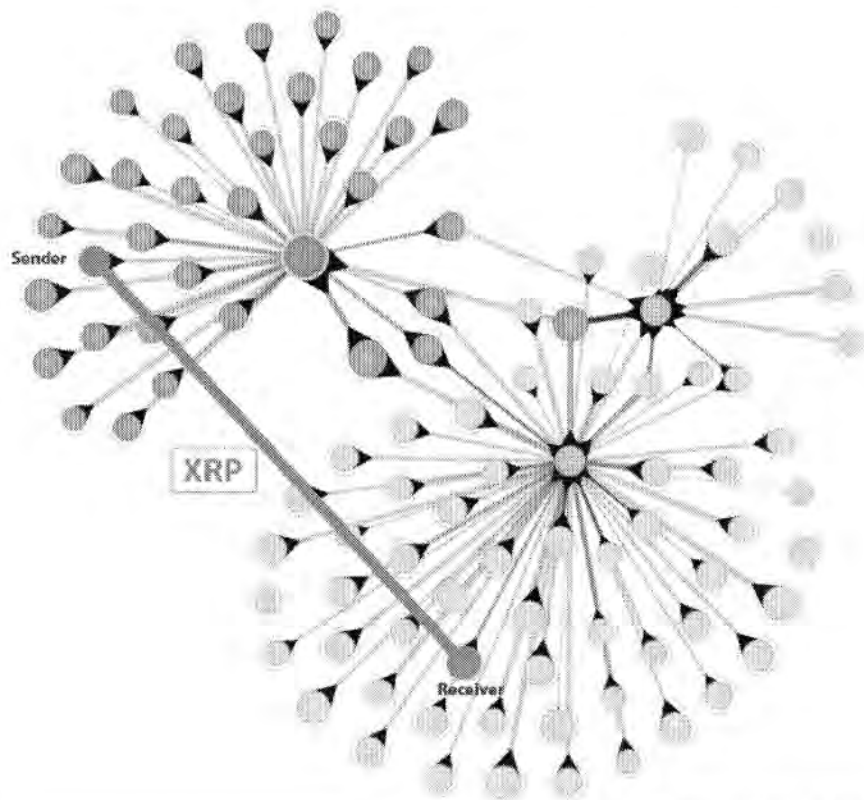
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Math-backed Currency

XRP

Payment without counterparty risk



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Math-backed Currency

The Business Model

Adoption of the Ripple Currency

- Ripple's business model is based on the success of its native currency
 - OpenCoin will keep between 25% to 30% of all currency created
 - OpenCoin will occasionally sell to wholesale MSB's to fund itself
- Can a virtual currency really create and hold value? *Bitcoin proves it can.*

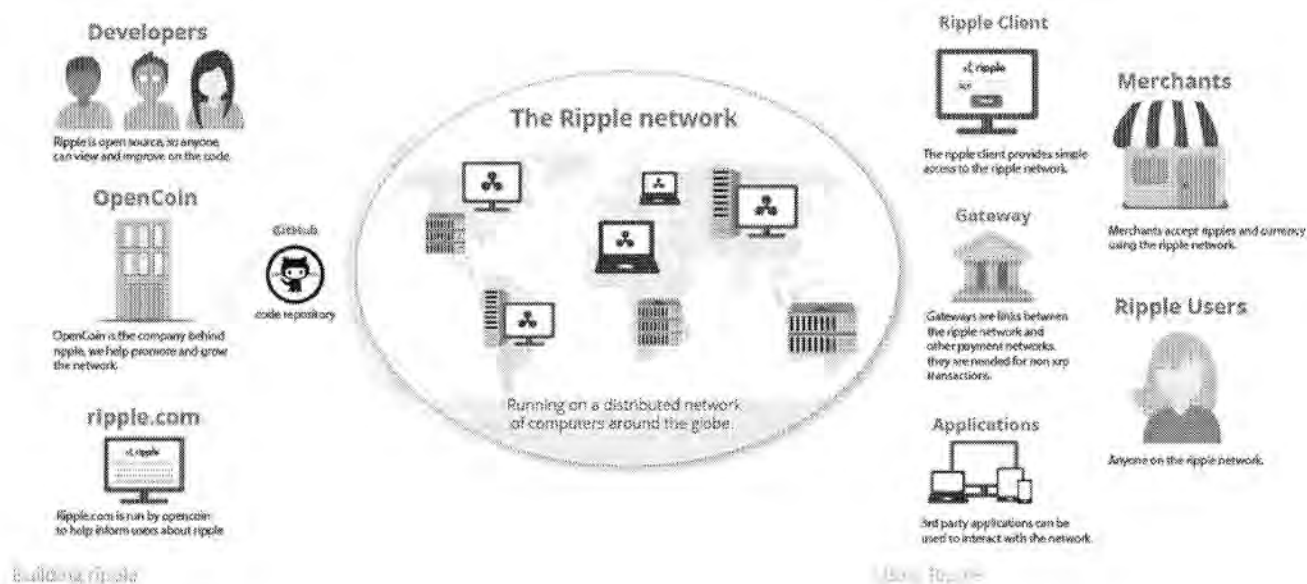


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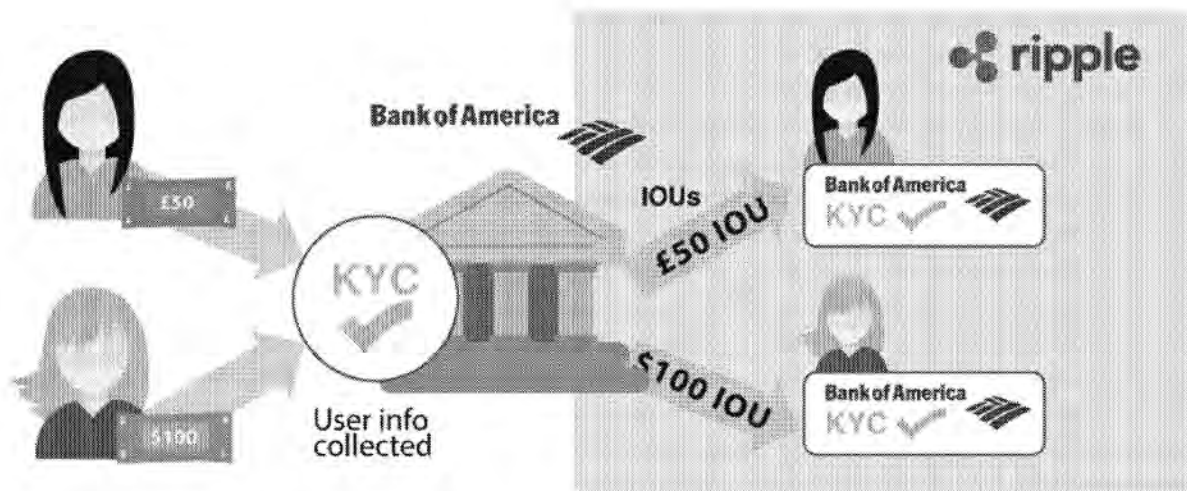
OpenCoin Inc. vs Ripple

- OpenCoin is a for-profit corporation, holding all of the XRP
- OpenCoin's mandate:
 1. Hire developers to contribute to the Ripple source code
 2. Hire BD/Sales/Marketing to promote adoption of the Ripple payment network
 3. Administer the dispersal of XRP



Law Enforcement Gateway KYC Diligence

1. Gateways perform AML, BSA, KYC & links identity to Ripple Key
2. Shows each transaction and public key involved, which links to that key's activity

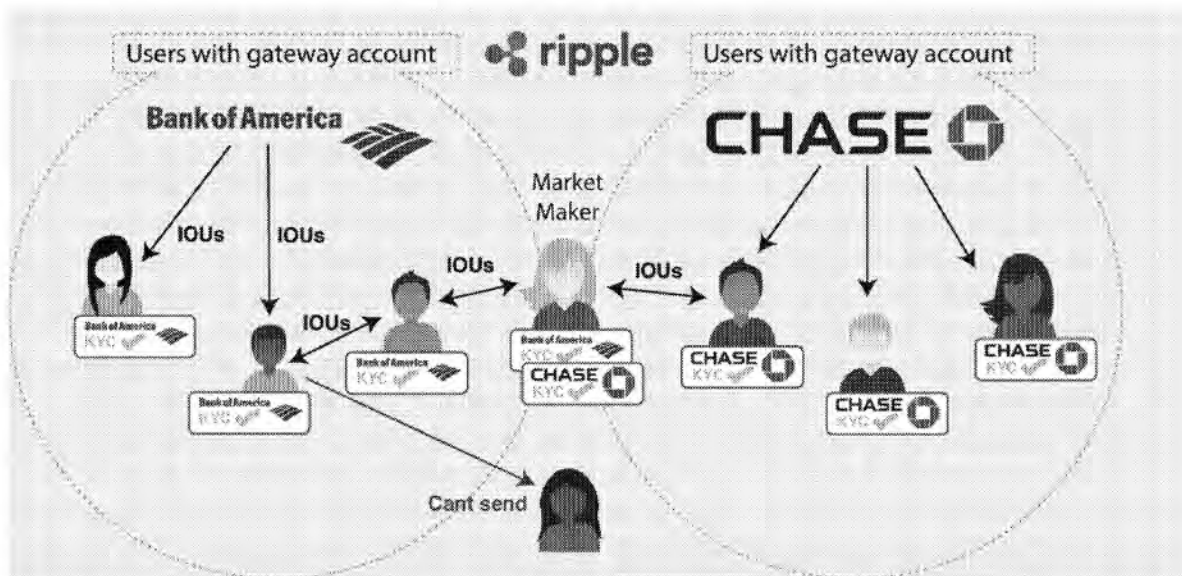


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Law Enforcement Gateway AML Controls

- Gateways stipulate who can hold their IOU when issuing
- By regulation, gateways will be required to govern the circulation of their IOU
- Gateways will subject every account holder to KYC



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OpenCoin Founders and Team

Chris Larsen, CEO and co-founder

- CEO and co-founder, Prosper.com, 2004 to 2012: peer-to-peer lending marketplace
- CEO and co-founder, E-LOAN, 1996 to 2004: publicly traded online lender

Jed McCaleb, CTO and co-founder

- CTO and founder, MetaMachine, 1999 to 2005: creator of the eDonkey file sharing application
- CEO and founder, Mt. Gox, 2010 to 2011: largest Bitcoin exchange, sold in 2011 to start this venture

David Schwartz, Chief Cryptographer

- Chief Technical Officer, WebMaster Inc, 2001-2011. Worked with NSA on cryptography

Patrick Griffin, EVP of Business Development

- Founding team at Jumio. Built the sales and business development strategy and team

Arthur Britto, Software developer and co-founder

- Created one of the first ISP's and one of the first Bitcoin exchanges. Highly respected in Bitcoin community

[REDACTED] Software developer

- Early development contributor and leading voice for Bitcoin. Created [REDACTED] a popular Bitcoin portal

[REDACTED] UI designer

- Worked at [REDACTED] [REDACTED] [REDACTED] Plum Perfect and many others



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OpenCoin Inc. Financing - \$ [REDACTED] Million Angel Round

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

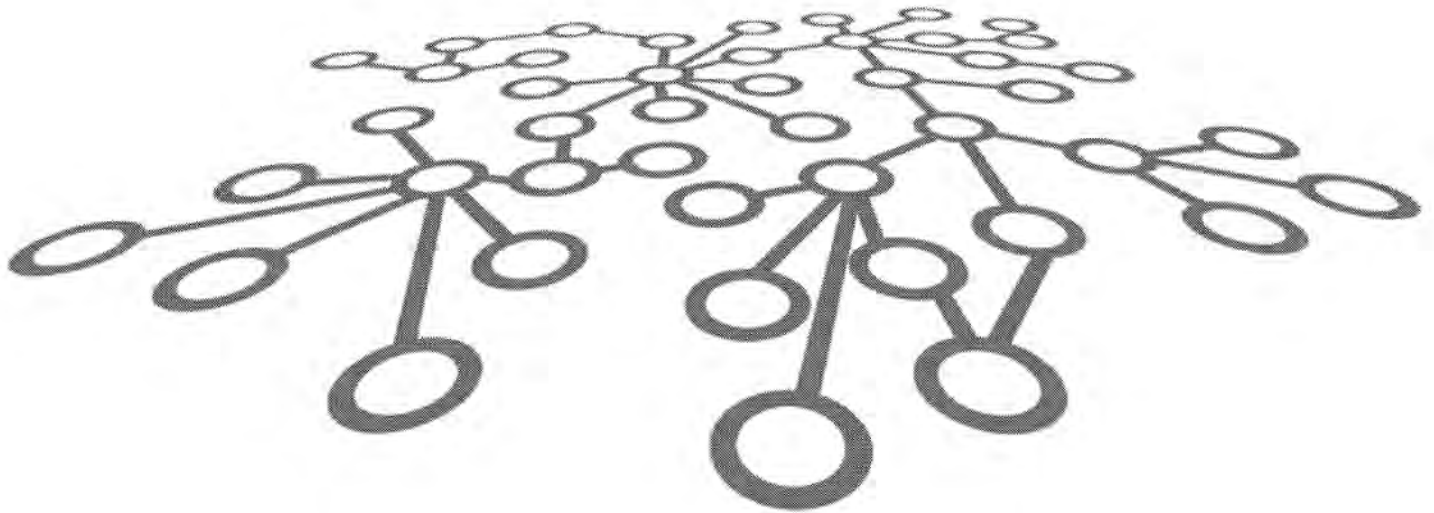


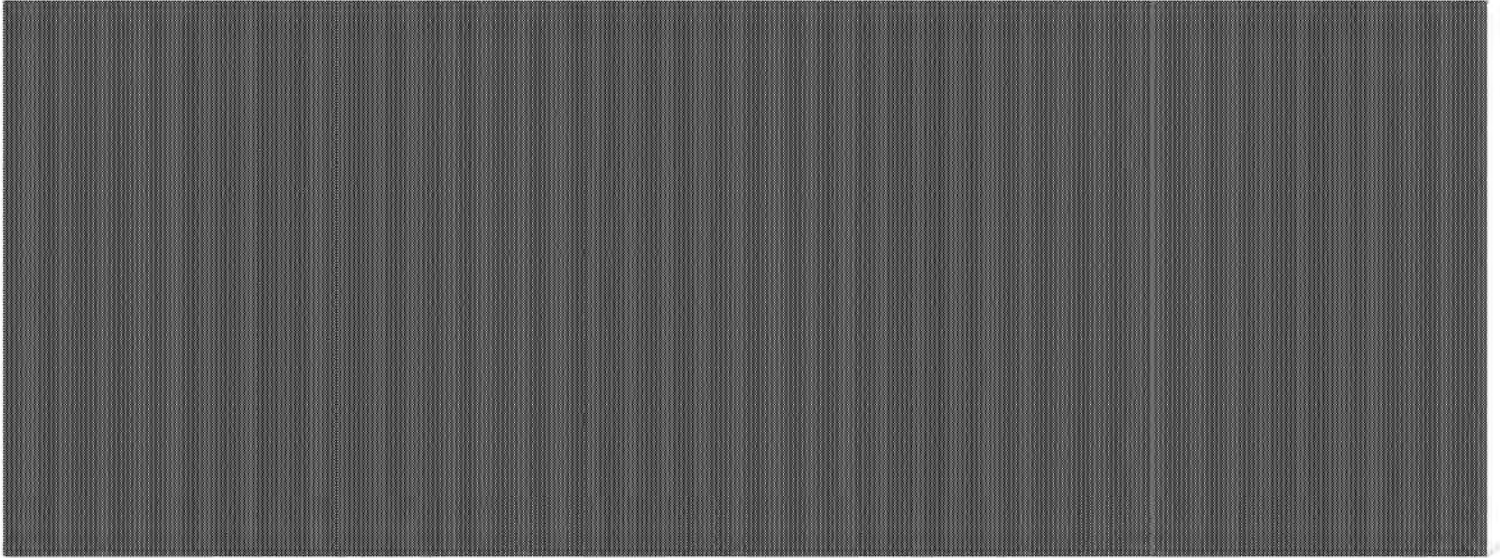
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partners@ripple.com





APPENDIX

Summary

- Ripple is a distributed open source payments network that enables:
 - Free global payments without chargebacks to anyone, anywhere
 - Ability to pay in any currency using the world's first distributed currency exchange
 - Open protocol that any developer can use without license, permission or fees
- The Ripple network enables the creation of a new currency called ripples
 - Like bitcoins, trust as a store of value is based on a math relationship of servers in a distributed network
 - New users receive free ripples when they create an account
 - Ripples are the native currency of the payment network. For example, they are used in lieu of transaction fees to prevent system attacks
- OpenCoin Inc. maintains the software and promotes the network
 - The company's business model is based on ripples gaining acceptance and value
 - The company does not control or direct transactions in any way



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Ripple Network Comparison to Bitcoin

- The Network includes a native currency called ripples or XRPs. 100 Billion XRP are created at inception – this amount can not be increased.
- Ripple currency focuses on the key attributes of trust, utility and liquidity better than Bitcoin, the other major math-based global currency



Trust



Utility



Liquidity

Equal to Bitcoin trust:

- Amount can't be changed
- Math method currency

Better than Bitcoin trust:

- Ledger consensus solves 51% attack problem

Better than Bitcoin utility:

- Confirms in seconds vs. 10 plus minutes
- Allows any currency - BitCoin is Bitcoin only
- No blockchain scale limitation
- Can adopt Ripple in preferred currency

Improved liquidity:

- Anyone can provide currency exchange
- Trade currency within network



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OpenCoin Inc. Regulatory and Legal

- Retained Perkins Coie to advise on regulatory issues
 - Dax Hansen, Partner in charge of Electronic Financial Services practice with expertise in electronic payments and virtual currencies
- Mitigating regulatory risks
 - We do not maintain the payments system or client on our servers. The product is a distributed open source platform that is not centrally controlled.
 - We will position the distributed design of the platform as entirely about cost reduction to consumers and merchants.
 - We will actively engage with law enforcement and only promote legal and constructive uses of the platform.
 - Bitcoin has operated for 3 years without much regulatory concern - the FBI and ECB have issued extensive reports on Bitcoin that were fairly neutral.



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OpenCoin Inc. Key Regulatory Issues and Tactics

- *Is OpenCoin subject to FinCEN duties as a money transmitter?*
 - While virtual currency regulation is still evolving, OpenCoin does not authorize payments, control transactions or operate the servers that run the network
- *Although currencies are specifically exempt from securities law, virtual currencies such as Bitcoin have not received designation as currencies. As such, is this new currency a security?*
 - Will not be sold to users or investors in the Corporation
 - Will be given away for free to users
 - Will only sell to licensed wholesale MSB's
- *Are we responsible for illegal uses of the platform?*
 - We will only promote legal uses
 - We will work closely with law enforcement to fight fraud and scams
 - Platform interfaces with the traditional banking system through 'Gateways', which are licensed MSBs and/or money transmitters

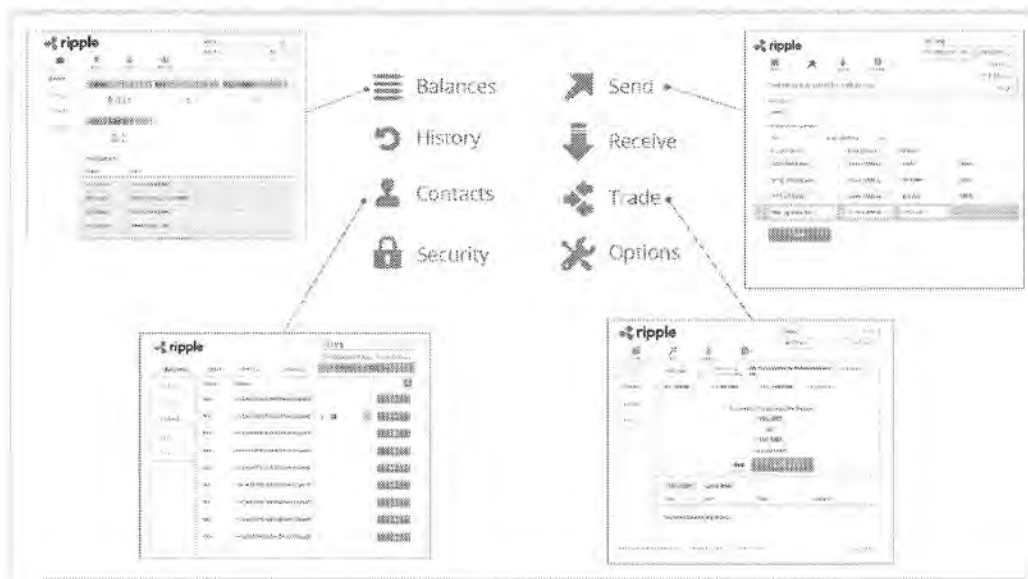


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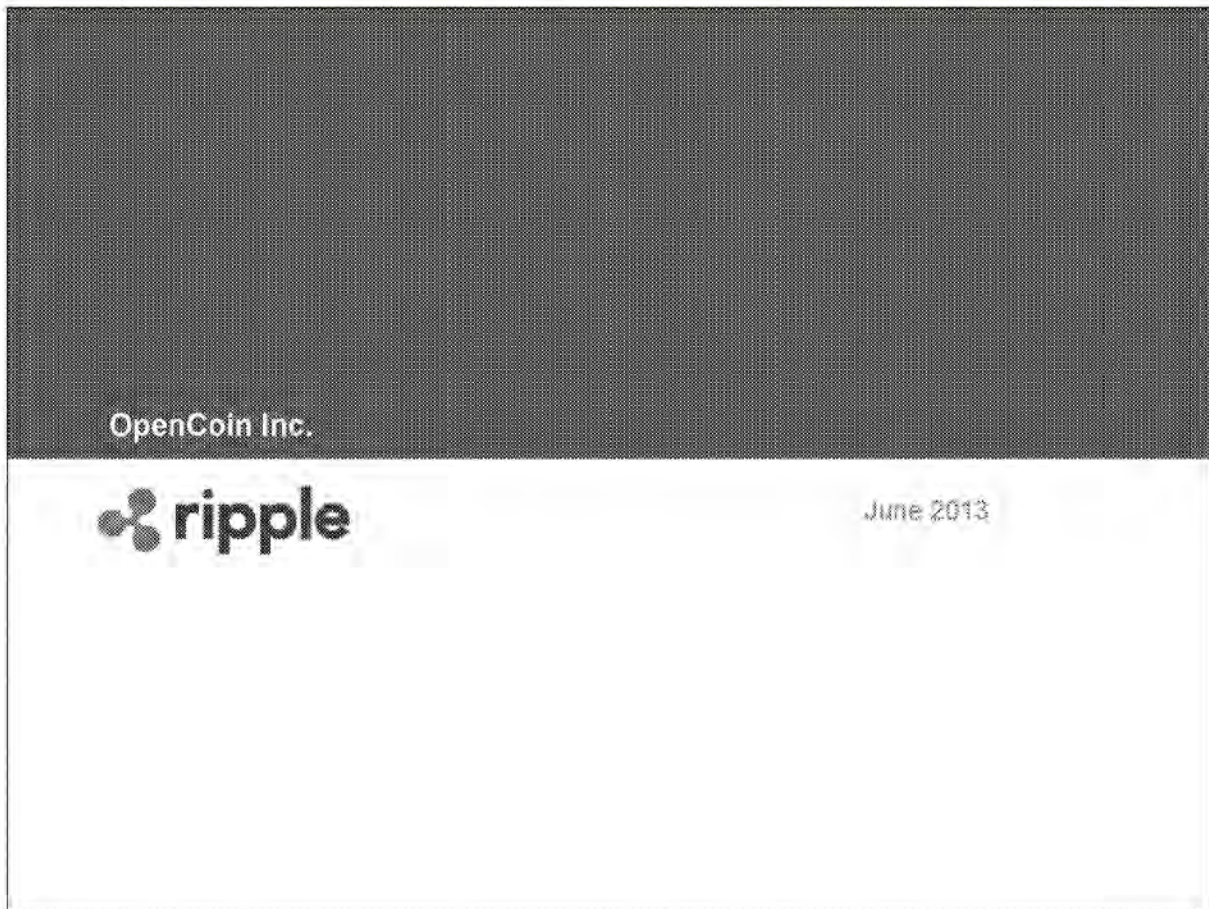
The Ripple Network Open Source Example Client

- A Ripple client exists at www.ripple.com/client to demonstrate basic Ripple features like sending, receiving, and exchanging ripples or Gateway IOUs denominated in other currencies.
- The client is open source at github.com and can be used without license, fees or permission. We expect many third party clients to appear soon.



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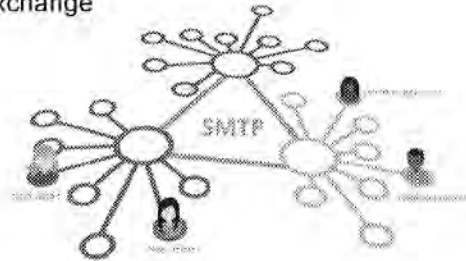
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Summary

- **Ripple is a distributed payments network**
 - Free global payments without chargebacks to anyone in any currency
 - Like SMTP, a protocol for moving money - anyone can use without license or fee
- **The network is enabled by a new currency called ripples (XRP)**
 - Trust in XRP is based on a math relationship of servers in a distributed network
 - XRP serve key and unique functions within the network. For example, network transaction fees are dominated in XRP.
- **Ripple is the world's first distributed currency exchange**
 - Anyone can create a offer for any currency
 - Federates the world's payment networks
- **OpenCoin Inc. maintains the software and promotes the network**



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Arthur Britto, Co-Founder, Chief Strategy

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[REDACTED] Creative Director

- Worked at [REDACTED] and many others

Other Team Members, 5 Software Developers, 3 support, contract Finance and PR



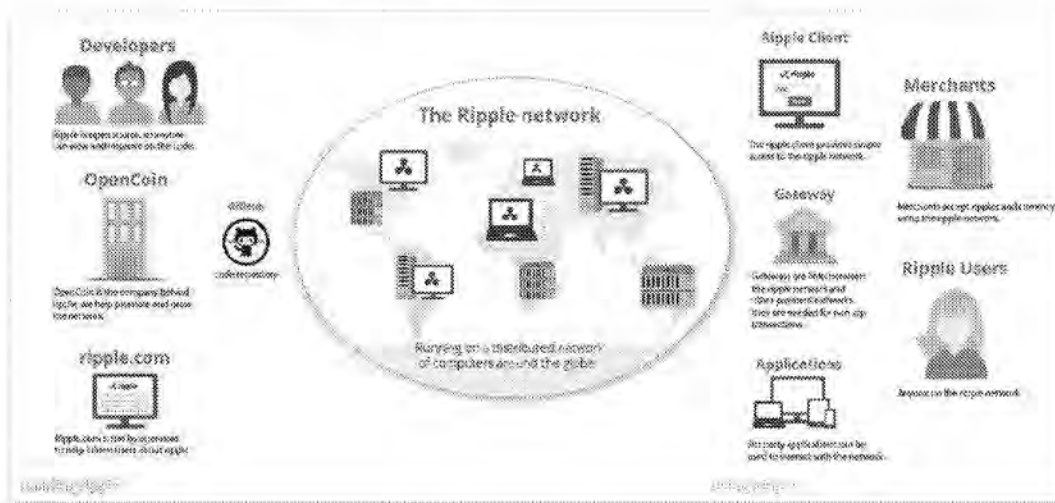
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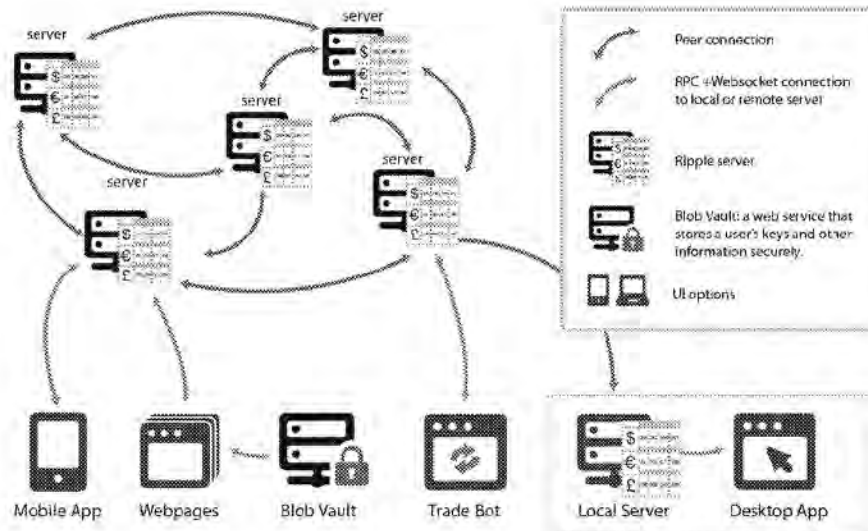
OpenCoin Inc. vs Ripple

- OpenCoin is a for-profit corporation
- Ripple is a software protocol for payments



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The Ripple Eco-system



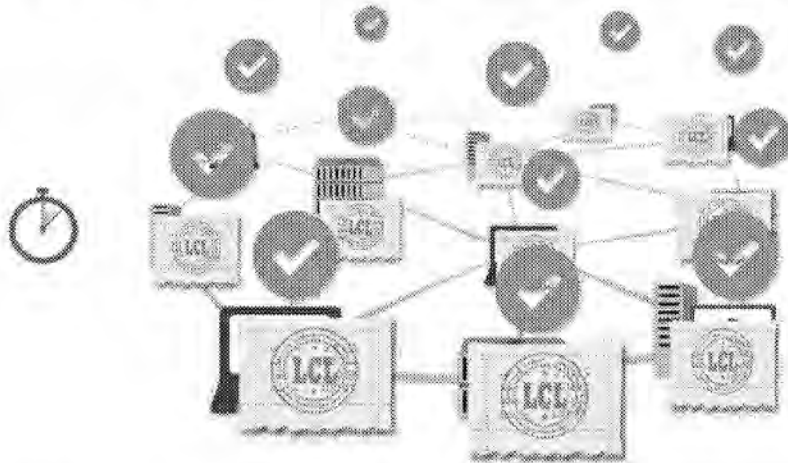
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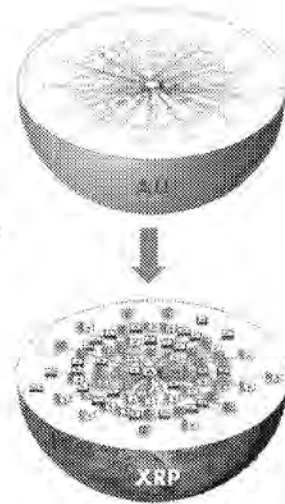


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The Role of XRP in Ripple

- Security
 - Transaction Fee (0.00001 XRP) prevents DDoS attacks
 - Reserve requirements prevent ledger spam
- Efficiency
 - Forex - counterparty hedging (XRP trade freely with IOUs)
 - Eliminate costs - transact without issuer fees or forex spreads
 - Global currency for the Web - no counterparty risk
- Value
 - 100B XRP - no more will ever be created, can't be debased
 - XRP is valued by its usefulness to enable commerce



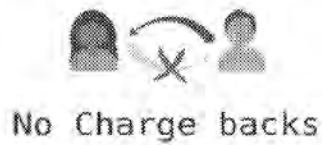
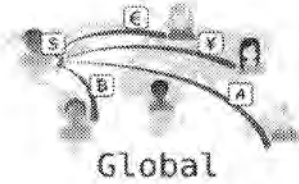
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Ripple Is First A Global Payment Network

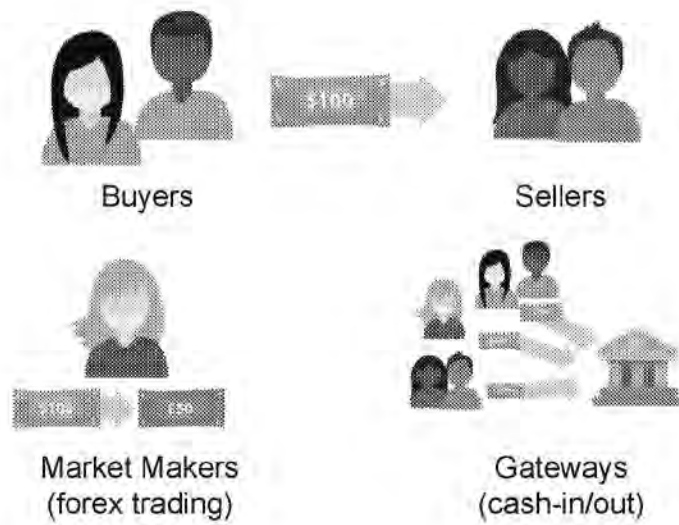
Where Bitcoin is a currency supported by a limited payment system, Ripple was designed as a robust payment system enabled by a math-based currency



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Market Participants



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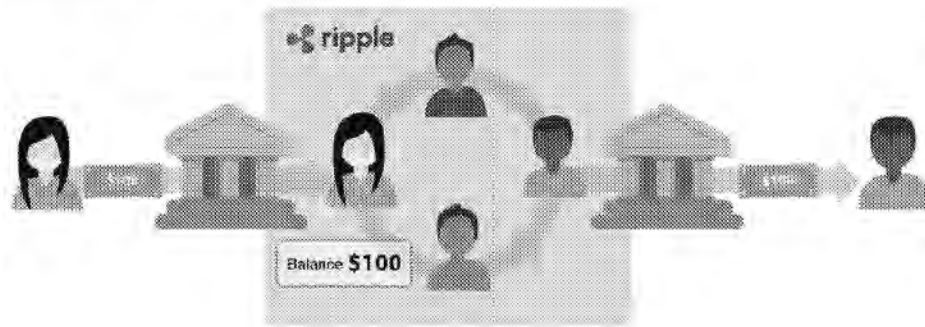
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Gateways

Moving Cash In or Out of Ripple

- Ripple is a *common* ledger
- Each gateway takes deposits and issues a unique IOU into the ledger
- IOUs can be transferred across the ledger without intermediaries
- IOUs are redeemable for the deposit, on demand, at the issuing gateway
- Gateways earn fees as they wish



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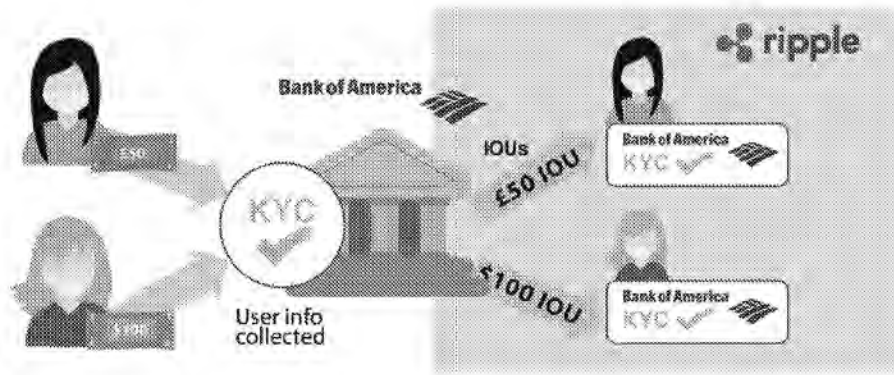
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- Gateways perform AML, BSA, KYC & links identity to Ripple Key
- Shows each transaction and public key involved, which links to that key's activity



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Business Model

Adoption of the Ripple Currency

- OpenCoin's business model is based on the success of XRP
 - Owns 25% of XRP created
 - Will occasionally sell XRP to fund itself
- Bitcoin and early XRP results prove the viability of this model

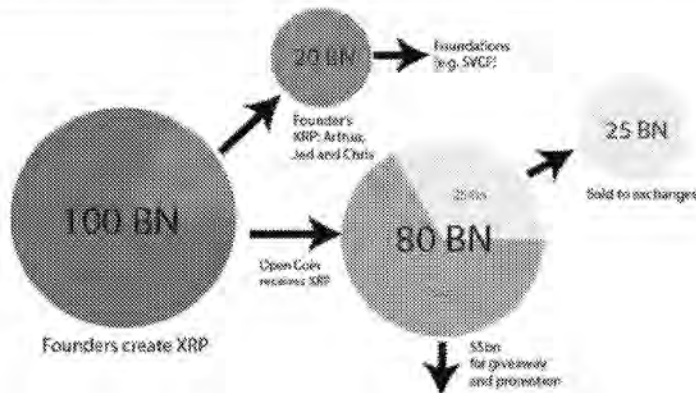


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Distribution of XRP



Time Period	User Targets	Coinz per User	Total Users	Total Given
Launch	Bitcoin Community	50,000	5k	250kms
Month 1	Small Beta Users	1000	10k	10kms
Year 1	Git Hub	1000	4kms	4bn
Future Giveaways		40 - 500	50kms - 10k	30bn



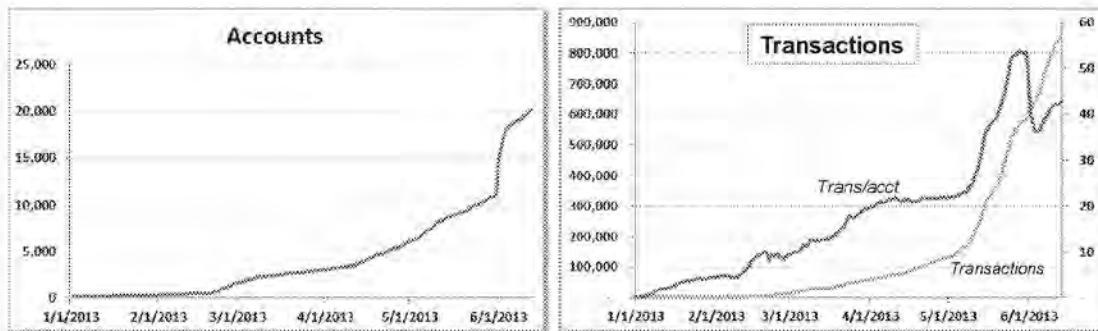
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OpenCoin Financial and Operating Highlights

- Distributed 1.4 billion XRP so far (1.75% of OpenCoin's total)
- \$1,000,000 in XRP wholesale sales to date
- Approximately 20,000 accounts
- Approximately 800,000 transactions



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Market Development

- Phase 1: Trust and Awareness
 - Existing Bitcoin users and merchants
 - Emphasis on payment network, benefits of consensus over mining
- Phase 2: Utility and Liquidity
 - Begin giving away large amounts of ripples free of charge
 - Attract gateways and key market makers
 - International payment and transfer products and use cases
- Phase 3: Build merchant adoption
 - Global e-commerce marketplaces
 - E-commerce payments platforms
 - Mainstream merchants
 - Amazon, Wal*mart



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Regulatory and Legal

- Retained Perkins Coie to advise on regulatory issues
 - Dax Hansen, Partner in charge of Electronic Financial Services practice with expertise in electronic payments and virtual currencies
- Mitigating regulatory risks
 - We do not maintain the payments system or client on our servers. The product is a distributed open source platform that is not centrally controlled.
 - We will position the distributed design of the platform as entirely about cost reduction to consumers and merchants.
 - We will actively engage with law enforcement and only promote legal and constructive uses of the platform.
 - Bitcoin has operated for 3 years without much regulatory concern - the FBI and ECB have issued extensive reports on Bitcoin that were fairly neutral.



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OpenCoin Investors and Collaboration

- Investors in \$ [REDACTED] Seed round:



- Company Collaboration

- Perkins Cole: Regulatory
- [REDACTED] Tax, Audit, Security
- [REDACTED] Security review
- [REDACTED]
- [REDACTED] co-authored "Opportunities in the Exchange of Value"
- Distributed payments SRO: in the works



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Gateway Development Status

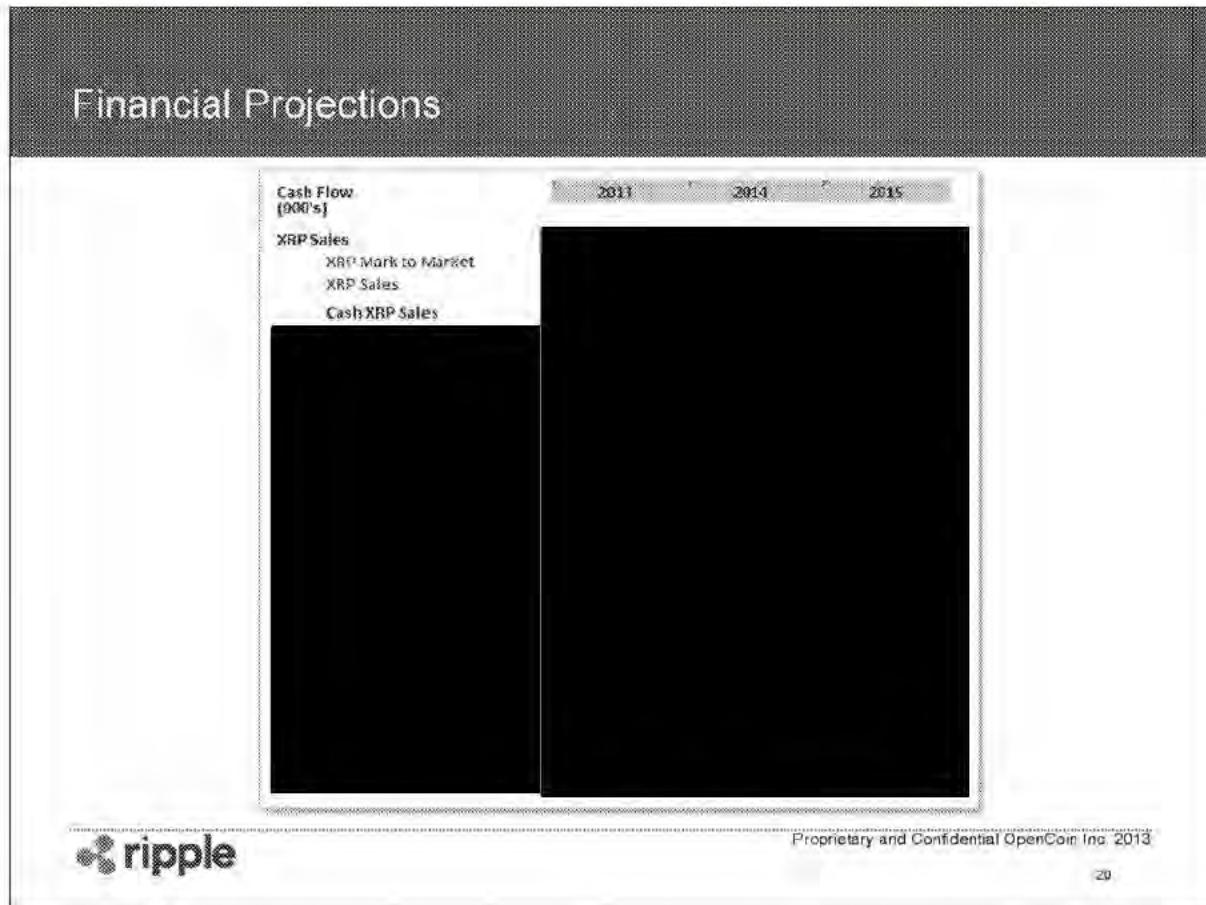
Website	Territory	Status	Website	Territory	Status	Enterprise
	US	1. Product Fit		US	3. Committed	
	Europe	1. Product Fit		Hong Kong	3. Committed	
	UK	1. Product Fit		China	3. Committed	
	UK	1. Product Fit		Canada	3. Committed	
	Israel	1. Product Fit		US	3. Committed w/o License	
	Canada	1. Product Fit		US	3. Committed w/o License	
	Japan	1. Product Fit		US	3. Committed w/o License	
	US	1. Product Fit		US	3. Committed w/o License	
CoinBase	US	1. Product Fit		US	3. Committed w/o License	
	US	1. Product Fit		Sweden	3. Committed w/o License	
	US	1. Product Fit		Korea	4. Integration	
	UK, Europe	2. Compliance Review		International	4. Integration	
	US	2. Compliance Review		Europe	4. Integration	
	LatAm	2. Compliance Review		China	5. Live	
	Eastern Europe	2. Compliance Review		China	5. Live	
	UK	2. Compliance Review		Europe	5. Live	
	Eastern Europe	2. Compliance Review		US	5. Live	
	US	3. Committed		Australia	5. Live	
	China	3. Committed		Europe	5. Live	
	UK	3. Committed		International	5. Live; Cash Agent	



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Series A Use of Proceeds

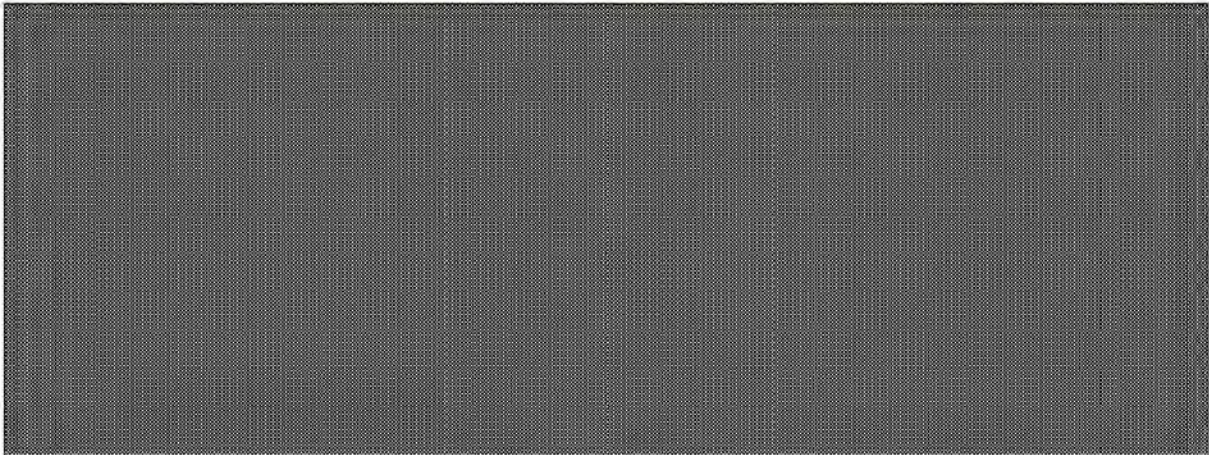
- Team
 - Expanding Tech and Biz Dev Teams
 - Recruiting costs
- Credibility
 - Regulators, partners, incumbents
 - Balance sheet strength
- Flexibility in when to sell XRP
- Policy, Tax, Regulatory work



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Appendix

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Financial Projections

Cash Flow (000's)	2013					2014					2015				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
XRP Sales															
XRP Mark-to-Market	20,000	20,000	25,000	600,000	645,000	15,000	15,000	20,000	110,000	150,000	15,000	15,000	15,000	15,000	60,000
XRP Sales	500	500	400	700	2,100	1,000	1,000	1,000	1,000	4,000	1,500	1,500	1,500	1,500	6,000
Cash XRP Sales	200	200	400	1,000	2,600	200	200	1,000	1,000	4,200	1,500	1,500	1,500	1,500	6,000



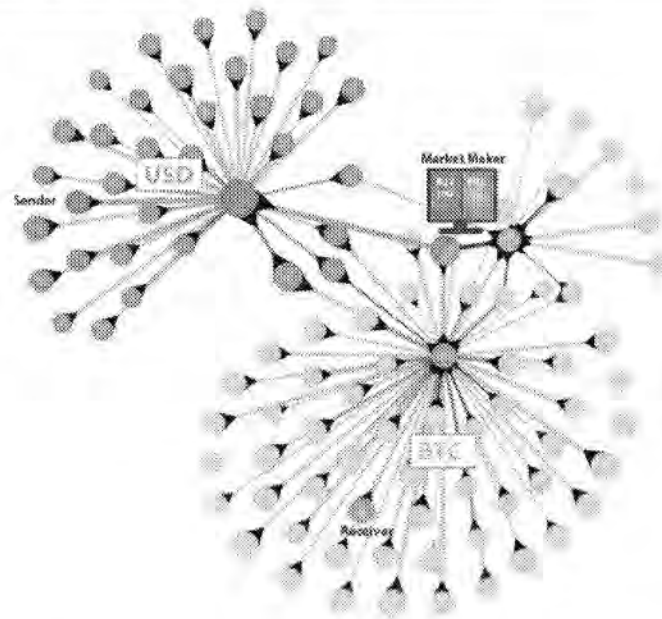
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Distributed Exchange

Cross-currency transaction through a market-maker



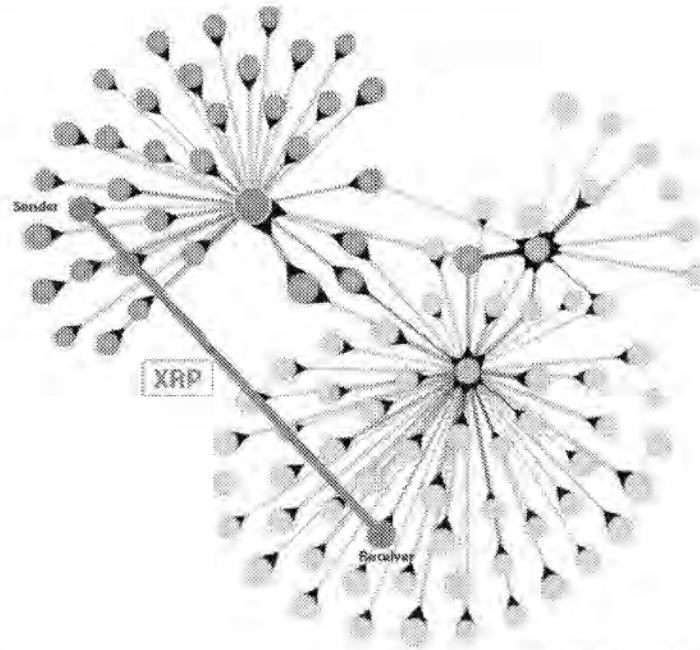
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XRP

Payment without counterparty risk



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The Ripple Network Comparison to Bitcoin

- Ripple currency focuses on the key attributes of trust, utility and liquidity better than Bitcoin, the other major math-based global currency



Equal to Bitcoin trust:

- Amount can't be changed
- Math method currency

Better than Bitcoin trust:

- Ledger consensus solves 51% attack problem

Better than Bitcoin utility:

- Confirms in seconds vs. 10 plus minutes
- Allows any currency - BitCoin is Bitcoin only
- No blockchain scale limitation
- Can adopt Ripple in preferred currency

Improved liquidity:

- Anyone can provide currency exchange
- Trade currency within network



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